

Message Text

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ACTION EUR-25

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INFO AMEMBASSY BONN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: DIFFICULTIRES IN THE EC LIVESTOCK AND MEAT MARKETS

REF: A. EC BRUSSELS 2656 B. TOFAS 90, 91, 93 AND 94

1. SUMMARY. THE EC LIVESTOCK ECONOMY IS PRESENTLY EXPERIENCING
GREAT DIFFICULTIRES. HIGH CONSUMER PRICES HAVE LED TO A DECLINE
IN DEMAND. FALLING PRODUCER PRICES AND RISING PRODUCER COSTS

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HAVE LED TO A PRICE-COST SQUEEZE. CAP MEASURES TO COPE WITH THESE

DIFFICULTIES APPEAR TO BE INADEQUATE. THE RECENTLY IMPOSED ITALIAN IMPORT RESTRICTIONS THREATEN TO ENHANCE THE DISARRAY IN THE COMMUNITY'S LIVESTOCK MARKETS. SHOULD THIS SITUATION PERSIST, IT MAY LEAD TO A REDUCTION IN THE COMMUNITY LIVESTOCK NUMBERS AND, HENCE, TO A DECLINE IN THE DEMAND FOR DOMESTIC AND IMPORTED FEEDS.
END SUMMARY

2. IN CONSEQUENCES OF THE HIGH LEVEL OF ECONOMIC ACTIVITY, THE DEMAND FOR MEAT WAS PARTICULARLY STRONG ABOUT TWO YEARS AGO. BOTH CONSUMER PRICES AND PRODUCER PRICES WERE RISING. ENCOURAGED BY THIS STRONG DEMAND, PRODUCERS INCREASED THEIR LIVESTOCK NUMBERS. HOWEVER, THE INCREASE IN THE PRICE OF FEEDING STUFFS AND THE INFLATION-INDUCED IN CONSUMER DEMAND BROUGHT THE COMMUNITY LIVESTOCK AND MEAT MARKETS INTO DISARRAY. PRODUCERS FIND THEMSELVES IN A COST-PRICE SQUEEZE AND BRING INCREASING QUANTITIES OF LIVESTOCK PRODUCTS TO THE MARKET. YET THE INCREASE IN SUPPLIES HAS NOT BEEN REFLECTED IN APPRECIABLY LOWER CONSUMER PRICES. CONSUMER DEMAND IS STAGNANT OR EVEN DECLINING. THE COMMUNITY, THEREFORE, FINDS ITSELF IN A MEAT SURPLUS SITUATION. THE SITUATION DIFFERS AMONG THE VARIOUS MEAT SECTORS AND ALSO AMONG THE MEMBER STATES. MOREOVER, AN EXACT ASSESMENT OF THE SITUATION IS DIFFICULT BECAUSE OF THE LACK OF UP-TO-DATE STATISTICAL INFORMATION.

3. PORK. THE HOG CYCLE, WHICH REACHED LAST YEAR ITS LOWEST POINT IS AGAIN ON THE UPSWING. HOWEVER, THE RATE OF GROWTH IN HOG NUMBERS IS REPORTEDLY LOWER THAN IN PREVIOUS YEARS. MOREOVER, PRODUCER PRICES HAVE CONSIDERABLY DECLINED. ON THE AVERAGE, THE PRICES FOR SLAUGHTERED HOGS BY THE MIDDLE OF APRIL WERE ABOUT 20 PERCENT LOWER THAN IN DECEMBER 1973 AND ABOUT 13 PERCENT LOWER THAN IN MID-APRIL 1973. RETAIL PRICES FOLLOW ONLY IN PART THE DECLINE IN PRODUCER PRICES BECAUSE MARKETING AND PROCESSING MARGINS ARE RISING.

4. BEEF. IN 1974 THE COMMUNITY'S BEEF PRODUCTION IS EXPECTED TO BE CONSIDERABLY HIGHER THAN IN 1973. THIS HUGE INCREASE IN PRODUCTION IS LARGELY DUE TO ANORMALLY HIGH SLAUGHTER RATES. PRESENT MARKET PRICES APPARENTLY DO NOT ENABLE PRODUCERS TO RECOUP THE HIGH COSTS OF CALVES AND OF OTHER INPUTS THAT HAVE PREVAILED OVER THE LIMITED OFFICIAL USE

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PAST TWO YEARS AGO. THUS AVERAGE MARKET PRICES OF CATTLE ARE PRESENTLY 884 UA/MT AGAINST 952 UA/MT IN APRIL 1973. MOREOVER, THE PRICES OF CALVES HAVE REMAINED HIGH, RELATIVE TO THOSE OF FULL-GROWN ANIMALS, SO THAT THERE IS NO INCENTIVE TO ENTER A NEW FATTENING CYCLE. THERE SEEMS TO BE THEREFORE, AN INCREASING TENDENCY OF SLAUGHTERING CALVES, A DEVELOPMENT WHICH THREATENS TO REDUCE THE FUTURE BEEF PRODUCTION POTENTIAL OF THE COMMUNITY.

5. IN COMPARISON WITH 1973, PRODUCTION OF BEEF IS IN 1974 EXPECTED TO INCREASE BY 500,000 METRIC TONS; THAT OF PORK BY 300,000 METRIC TONS, AND THAT OF POULTRY BY 50,000 METRIC TONS. IT IS ESTIMATED THAT BEEF CONSUMPTION IN 1974 WILL INCREASE ONLY

100,000 METRIC TONS. THERE ARE NO ESTIMATES CONCERNING CHANGES

IN CONSUMPTION FOR PORK AND POULTRY. HOWEVER, AT PRESENT THERE ARE APPARENTLY CONSIDERABLE MEAT SURPLUSES IN THE COMMUNITY. BEEF IN INTERVENTION STOCKS AMOUNTS REPORTEDLY TO SOME 70,000 METRIC TONS, POULTRY SURPLUS STOCKS ARE ESTIMATED AT 40,000 METRIC TONS, INCLUDING 3,000 TONS OF TURKEY.

6. THE MEASURES TAKEN UNDER THE CAP TO COPE WITH THIS SITUATION HAVE BEEN REPORTED IN THE REFTELS. THEY CONSIST ESSENTIALLY IN DOMESTIC INTERVENTION PURCHASES FOR BEEF, OBLIGATIONS BY IMPORTERS TO PURCHASE DOMESTIC SURPLUS BEEF EQUAL TO THE QUANTITIES OF FROZEN BEEF IMPORTED, AND INCREASED IMPORT PROTECTION FOR BEEF AND PORK AS WELL AS INCREASED EXPORT SUBSIDIES FOR BEEF, PORK AND POULTRY. THESE MEASURES MAY NOT BE ADEQUATE TO DISPOSE OF MEAT SURPLUSES, PRIMARILY BECAUSE THEY ARE NOT SUSCEPTIBLE TO INCREASED DOMESTIC DEMAND.

6. THE RECENTLY ANNOUNCED ITALIAN MEASURES REQUIRING PRIOR DEPOSITIS FOR INTER ALIA MEAT PRODUCTS IMPORTED INTO ITALY MAY FURTHER WORSEN THE SURPLUS SITUATION IN SOME MEMBER STATES (E.G. FRANCE AND GERMANY) WHICH RELY HEAVILY ON MEAT AND/OR

LIVESTOCK EXPORTS TO ITALY. GREENWALD

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